

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 CIAE-00 COME-00 EB-11 INR-10

LAB-06 NSAE-00 RSC-01 SPC-03 STR-08 TRSE-00 CIEP-02

OMB-01 L-03 DRC-01 /087 W

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O R 232134Z NOV 73

FM AMEMBASSY LA PAZ

TO AMCONGEN RIO DE JANEIRO NIACT IMMEDIATE

INFO SECSTATE WASHDC 1571

AMEMBASSY BRASILIA

LIMITED OFFICIAL USE LA PAZ 7073

E.O. 11652: N/A

TAGS: ETRD BL

SUBJ: COTTON CONTRACTS

REF: LA PAZ 7055

SUMMARY: THIS CABLE PROVIDES BACKGROUND ON BOLIVIAN COTTON
CONTRACTS PROBLEM FOR POSSIBLE USE BY CONGEN RIO ON AS
NECESSARY BASIS. END
SUMMARY.

1. ADEPA (ASOCIATION DE PRODUCTORES DE ALGODON) OF SANTA CRUZ
INFORMED ON JULY 3, 1973 COOK INDUSTRIES, INC., OF MEMPHIS,
TENNESSEE, NO MORE COTTON WOULD BE SHIPPED UNDER THREE FUTURES
CONTRACTS SIGNED EARLY 1973 UNLESS COOK PAID PRICE HIGHER THAN
THAT STIPULATED IN CONTRACTS. COOK REFUSED AND APPEALED TO
USG TO MAKE REPRESENTATIONS. EMBASSY MADE ORAL AND WRITTEN
REPRESENTATION TO MINISTER OF INDUSTRY, COMMERCE AND TOURISM
IN JULY.

2. ON AUGUST 4, 1973 GOB ISSUED TWO DECREES WHICH APPEAR SET
MINIMUM EXPORT PRICE OF US\$0.56 PER POUND ON ALL COTTON IN
BOLIVIA AND IN TRANSIT. EMBASSY HAS EXCHANGED DIPLOMATIC NOTES
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WITH MINFON ON THIS ASPECT OF PROBLEM.

3. REPRESENTATIVES OF COOK AND RALLI (U.K. COTTON BUYING FIRM IN ROUGHLY SAME SITUATION AS COOK) DISCUSSED PROBLEM WITH GOB IN LA PAZ IN MID-AUGUST AND AGAIN IN EARLY NOVEMBER. TALKS DID PRODUCE FLEXIBLE COOK/RALLI OFFER WHICH WHILE NOT ACCEPTED BY ADEPA HAS PROVEN BE BASIS FOR FURTHER INTERCHANGES.

4. ADEPA SIGNED THREE CONTRACTS WITH COOK FULLY-OWNED PANAMANIAN SUBSIDIARY (FOMENTO INDUSTRIAL Y COMMERCIAL S.A.) IN JANUARY, MARCH AND APRIL, TOTALLING 45,460 BALES. DUE PRODUCTION SHORTFALL ADEPA REQUESTED REDUCTION TOTAL DELIVERIES TO 31,900 BALES. CONTRACTS PROVIDE PRELIMINARIES FOR SHORTFALL OR DELIVERIES AT CONTRACT PRICE FROM NEXT SEASON'S PRODUCTION AT OPTION OF BUYER. WEIGHTED AVERAGE PRICE OF THREE CONTRACTS US\$0.355 PER POUND. COOK RESOLD MOST OF THIS COTTON ALMOST IMMEDIATELY AT AVERAGE US\$0.39 PER POUND. AFTER DELIVERING 7,190 BALES TO COOK, ADEPA DEMANDED PRICE INCREASE. WHEN COOK AND RALLI (TO WHOM ADEPA SOLD ABOUT 62,000 BALES) REFUSED, ADEPA SOUGHT TO SELL COTTON TO OTHER BUYERS AT SPOT PRICES RANGING FROM US\$0.82 TO US\$0.87 PER POUND. COOK AND RALLI BLOCKED THESE ATTEMPTED SALES BY PERSUASION AND LEGAL ACTION.

5. ADEPA AND GOB HAVE CHANGED AT VARIOUS TIMES THAT CONTRACTS WITH COOK AND RALLI WERE NOT VALID FOR VARIOUS REASONS, BUT HAVE NOT PRESSED THESE CHARGES SERIOUSLY IN COURTS OR BY CAREFUL REVIEW OF DOCUMENTS.

6. COOK POSITION IS THAT AS CONTRACTS ARE VALID, ADEPA SHOULD PERFORM ON THEM AT ORIGINAL CONTRACT PRICES AND THAT COOK WOULD SUFFER SERIOUS FINANCIAL LOSSES AND FURTHER DAMAGE IF PRECEDENT IS SET WHEREBY PRODUCERS BACKED BY THEIR GOVERNMENT UNILATERALLY FORCE PRICE ABOVE CONTRACT PRICE. COOK BELIEVES FUTURES MARKET MIGHT DISAPPEAR IF ONE PARTY TO CONTRACT CAN ALTER IT WITH IMPUNITY. COOK ALSO SIGNED IN MAY, 1973 CONTRACTS WITH ADEPA TO BUY 38,000 BALES FROM 1974 PRODUCTION AT US\$0.44 PER POUND. COOK HAS SHOWN WILLINGNESS RENEGOTIATE 1974 CONTRACTS. IT HAS NOT RESOLD 1974 COTTON YET.

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Message Attributes

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TAGS: ETRD, BL, (COOK INDUSTRIES, INC)
To: STATE
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